

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1675 – SB 1840

January 30, 2022

SUMMARY OF BILL: Authorizes a county legislative body (CLB) to impose an impact fee on residential development in the county. Earmarks the revenues for this fee for investment in the area of the new development.

FISCAL IMPACT:

Increase Local Revenue –

Exceeds \$74,950,100/FY22-23 and Subsequent Years/Permissive

Other Fiscal Impact - The proposed legislation earmarks revenues from the impact fee for investment in the area of the new development. These collections will be spent for these purposes and could allow for other local funds to be spent elsewhere.

Assumptions:

- Per the language of this legislation, any CLB opting to impose an impact fee on residential development would be required to pass a resolution by a two-thirds vote of the legislative body at two regular meetings and provide an opportunity for public comment at an open meeting after the initial approval of the resolution.
- Such a vote by the CLB or opportunity for public comment would be accomplished at a regularly-scheduled meeting; therefore, any increase in local expenditures is considered not significant.
- The proposed language specifies that the amount of impact fees imposed must be related to the costs expected to be incurred by the county resulting from the new development and requires the CLB to earmark the revenues for investment in the area of the new development.
- Pursuant to Tenn. Code Ann. § 67-4-2913, after June 20, 2006, no county shall be authorized to enact an impact fee on development.
 - Counties authorized by private act to collect impact fees prior to June 20, 2006 were grandfathered in and authorized to continue collecting such fees.
 - Grandfathered counties include: Macon County and Williamson County.
- Based on information from the U.S. Census Bureau and the 2020 Census:
 - There were 912,000 single-family homes and 375,000 multifamily units completed nationally.

- Tennessee's population is 2.1% of the national population; therefore, it is estimated that Tennessee has an average of 19,152 single-family homes (2.1% x 912,000 single-family homes) and 7,875 multifamily units (2.1% x 375,000 multifamily units).
- The median size of a completed single-family house is 2,261 square feet.
- The median size of a multifamily unit built for rent is 1,075 square feet and the median size of a multifamily unit built for sale is 1,306 square feet, resulting in the median size of a multifamily unit being 1,191 square feet [(1,075 square feet + 1,306 square feet) / 2].
- The combined population of Macon and Williamson Counties is 272,942, accounting for 3.95 percent of Tennessee's population.
- Therefore, the two entities account for 757 single-family housing units (3.95% x 19,152) and 311 multifamily units (3.95% x 7,875).
- All other counties would account for 18,395 single-family units (19,152 – 757) and 7,564 multifamily units (7,875 – 311).
- Macon County imposes an impact fee of \$2.50 per square foot; the average impact fee imposed by Macon County for a single-family home is estimated to be \$5,652.50 [(\$2.50 x 2,261 square feet) and \$2,977.50 (\$2.50 x 1,191 square feet) for a multifamily unit.
- Williamson County's impact fee is a flat fee based off the square footage of the dwelling unit; the impact fee imposed by Williamson County on a dwelling unit size of 2,261 square feet is \$8,033 and on a dwelling unit size of 1,191 square feet it is \$3,374.
- The average impact fee for a single-family unit is estimated to be \$6,843 [(\$5,652.50 Macon County + \$8,033 Williamson County) / 2].
- The average impact fee for a multifamily unit is estimated to be \$3,176 [(\$2,977.50 Macon County + \$3,374 Williamson County) / 2].
- This legislation would result in a permissive increase in local revenue for any CLB that opts to impose an impact fee on residential development. As this is an increase in revenue, it can be reasonably assumed that at least 50 percent of counties not currently imposing impact fees will elect to do so.
- The recurring permissive increase in local government revenue in relation to single-family units is estimated to exceed \$62,938,493 [(\$6,843 x 18,395) x 50%], beginning in FY22-23.
- The recurring permissive increase in local government revenue in relation to multifamily units is estimated to exceed \$12,011,632 [(\$3,176 x 7,564) x 50%], beginning in FY22-23.
- The total recurring permissive increase in local government revenue is estimated to exceed \$74,950,125 (\$62,938,493 + \$12,011,632), beginning FY22-23.
- Per the language of this legislation, all revenue collected as a result of such fees are to be earmarked for investment in the area of the new development. These collections will be spent for these purposes and could allow for other local funds to be spent elsewhere.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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